# Property Taxes

**Property Tax 55 Mill**
**Property Tax 40 Mill**
**Property Tax 6 Mill**
**Property Tax 1.5 Mill**


Legislative Fiscal Division

www.leg.state.mt.us/css/fiscal/

# Legislative Fiscal Division

Revenue Estimate Profile

## Property Tax

**Revenue Description:** Montana law requires counties to levy a county equalization levy of 55 mills, a state equalization levy of 40 mills and 6 mills for the university system against all taxable value in each county. A mill levy of 1.5 mills is also applied against all property in the five counties with a vo-tech college. Taxable value is defined as the market value of statutorily defined property times a statutory tax rate. Property valued at market value includes personal property, utility property, railroad and airline property, livestock, and mineral net and gross proceeds. The assessed value of residential and commercial real estate is the market value phased in over the reappraisal cycle. Agricultural land and timberland are valued on a productivity basis and their values are also phased in over the reappraisal cycle. Beginning January 1, 2003, livestock is no longer taxed.

Beginning January 1, 2003, residential and commercial property as well as agricultural land and timberland reflect the impact of a new reappraisal on market values. The current reappraisal cycle is 6 years, during which increases in property values will be phased in by 1/6th per year. Property that declines in value will be assessed immediately at its new reappraised value. The impact of reappraisal on assessed values increased the market value of the average residence by 20.2 percent. The equivalent increases for commercial property were 18.5 percent and for agricultural land by 15.3 percent.

The 2003 legislature passed a reappraisal mitigation bill - SB 461. Beginning in tax year 2003, reappraisal values were phased in over the next six years. The new tax rates and the new homestead and comstead exemptions are shown in the accompanying table:

In addition to the tax on property, this revenue component includes collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. These non-levy sources include the state share of coal gross proceeds taxes, federal forest revenues, and other smaller revenue sources.

This source also includes the state's share of protested taxes paid by centrally assessed companies. Should the state fail in it defense of the taxation of these companies, the protested taxes must be returned to the taxpayer.

**SB 461 Tax Rates and Exemption Percentages for Class 4 Residential and Commercial Property**

| Fiscal Year | Tax Rate | Class 4 Residential Exemption | Class 3 Multi Family Housing Exemption | Class 4 Commercial Exemption |
|---|---|---|---|---|
| 2003 (prior law) | 3.46% | 31.0% | 31.0% | 13.0% |
| 2004 | 3.40% | 31.0% | 31.0% | 13.0% |
| 2005 | 3.30% | 31.4% | 31.4% | 13.3% |
| 2006 | 3.22% | 32.0% | 32.0% | 13.8% |
| 2007 | 3.14% | 32.6% | 32.6% | 14.2% |
| 2008 | 3.07% | 33.2% | 33.2% | 14.6% |
| 2009 | 3.01% | 34.0% | 34.0% | 15.0% |

Homeowners whose homesteads have increased above certain thresholds and whose income falls below certain levels will face lower tax rates.

### Major Drivers:

- Assessed Value of property
- Tax Rates for each class of property
- Homestead and comstead exemptions
- Tax Increment Financing (TIF) property values
- Abated property values
- Non levy revenue

### Potential Factors Influencing Change:

- Economic Factors
  - Personal income change
  - Population change
  - In-migration of business
  - Success of business
  - Demand for local government services
- Social Factors
  - Demand for new housing
- Legislative Factors
  - State legislative impacts
    - Reappraisal mitigation
    - Tax rate changes
    - Property class definition
  - Federal legislative impacts
    - Federal 4R act as applies to railroad and airline property

# Legislative Fiscal Division

Revenue Estimate Profile

## Property Tax: 55 Mill

**Applicable Tax Rate(s):** Each property class has its own tax rate which is applied to assessed value to produce a taxable value. For every $1,000 in taxable value, 55 mills generates $55 in state property taxes.

**Distribution:** All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

**Collection Frequency:** Monthly with significant state deposits in December and June.

### Major Drivers:

- Assessed Value of property
- Tax Rates for each class of property
- Homestead and comstead exemptions
- Tax Increment Financing (TIF) property values
- Abated property values
- Non levy revenue

### Potential Factors Influencing Change:

- Economic Factors
  - Personal income change
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  - In-migration of business
  - Success of business
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- Social Factors
  - Demand for new housing
- Legislative Factors
  - State legislative impacts
    - Reappraisal mitigation
    - Tax rate changes
    - Property class definition
  - Federal legislative impacts
    - Federal 4R act as applies to railroad and airline property

**Data Source(s):** Department of Revenue (DOR), Office of Public Instruction (OPI), County Assessor Offices, Montana Association of Counties (MACO)

**Contacts:** Department of Revenue

### Statutory Reference:

Tax Rate (MCA) – 20-9-331(1), 20-9-333(1)
Tax Distribution (MCA) - 20-9-331(1), 20-9-333(1)
Date Due – one-half of taxes due November 30th and one-half due May 31st (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

### % of Total FY 2004 General Fund Revenue: 7.54 %

**Revenue Estimate Methodology:** The LFD uses a number of analytical techniques to develop relevant assumptions for this

source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

There are twelve classes of property, each with its own tax rate. A growth rate for each class (except classes 1 and 2) is applied to taxable values in a base year. The latest base year is tax year 2004, which generates state and local revenue in fiscal 2005 since property taxes are paid in November and May of the following year. Growth rates for tax years 2005 and 2006 are derived by discerning trends in historical market values for each class of property. Future, known changes in taxable value are also applied. The taxable value of class 8 business equipment is adjusted to reflect the fact that a portion (approximately 38 percent) of this property pays its property taxes early based on prior year mills.

Taxable values of all property in tax year 2004 (fiscal 2005) are known and represent the second year of a six-year phasing in of reappraisal of values for class 4 residential and commercial real estate, class 3 agricultural land and class 10 timberland. Tax year 2004 is also the second year of the phasing-up of the two homestead exemptions for residential and commercial real estate, and the phasing down of class 4 tax rate reductions.

The future taxable values of classes 1 (net proceeds of all mines other than coal and metal) and 2 (gross proceeds of metal mines) are derived from forecasts of mine production and prices.

The resulting forecast of statewide taxable value is reduced by the amount of incremental property in tax increment finance districts and increased by the amount of property receiving local property tax abatements. Tax increment financing (TIF) districts are in urban centers where all local and state mills are applied to the increment in property values from a base year. State and local levies applied to the increment stay with the TIF district and are unavailable to state and local jurisdictions. Local property tax abatements are partial or total reductions in property values for local jurisdictions mills only. State mills are applied to local property abatements and thus are part of the state property tax base.

State 55-mill property tax revenue in future years is derived by applying the state mill levy to the projected statewide net taxable value.

The next step involves estimating the 55 mill's share of non-levy revenue. Nonlevy revenue includes: the state's share of coal gross proceeds, federal forest revenue, and other revenue. See the nonlevy revenue section for forecasting methods for each source. Each of these forecasted revenues is multiplied by the applicable allocation percent and summed. The applicable percentage for forest nonlevy revenue is the ratio of the state mill levy divided by the weighted total statewide average mills assessed in the prior year in the jurisdiction in which the revenue source was generated. Forest nonlevy revenues are paid by the federal government to counties and are allowed by federal statute to grow by one-half the rate of rural inflation. The distribution of coal gross proceeds taxes is based on mill levies existing fiscal 1990 when the county equalization levy was 45 mills instead of 55 mills. Miscellaneous revenue, such certain other federal revenues and interest earnings are also distributed to the state along with the property tax.

The final estimate of 55-mill property tax revenue is the sum of revenue from property and nonlevy revenue.

Two issues require further discussion for this source. Beginning in tax year 2004 and each future year the tax rate on class 8 business equipment will be subject to a test to determine whether the rate will be reduced by 1 percent per year until the rate reaches zero. The rate reductions will take effect if inflation adjusted growth in Montana wages and salaries in the prior year is at least 2.85 percent. The real wage growth "trigger" was not reached for calendar 2003 (determined in calendar 2004), and thus the class 8 tax rate will remain at 3 percent for the 2007 biennium.

# Legislative Fiscal Division

Revenue Estimate Profile

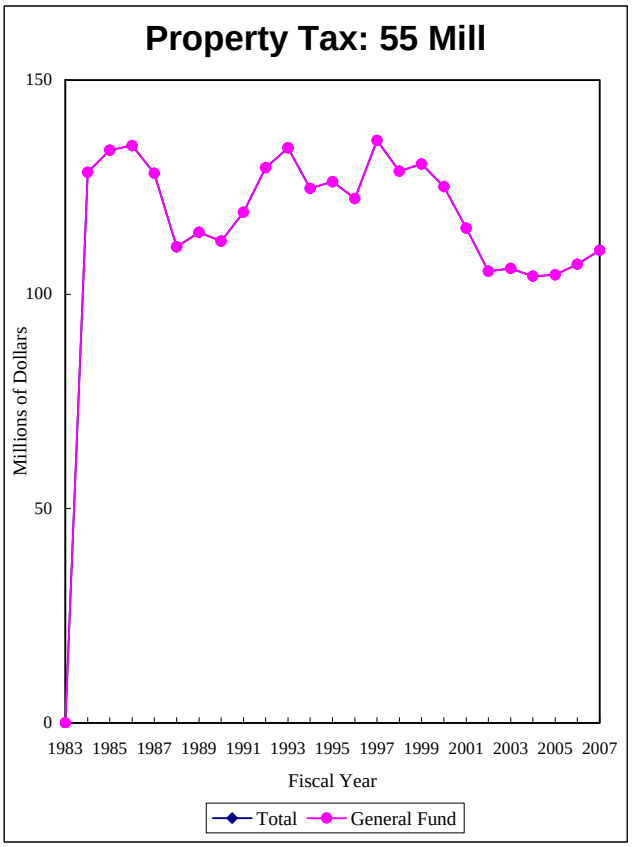
## Property Tax: 55 Mill

Also, in 15-10-420 MCA, a governing entity, including the state but excluding schools, is authorized to impose a mill levy sufficient to generate the amount of property taxes assessed in the prior year plus one-half the rate of inflation for the prior three years. The maximum number of mills that a governmental entity may impose is established by calculating the number of mills required to generate the amount of property tax assessed in the prior year based on the current year taxable value, less the current year's value of newly taxable property, plus one-half the rate of inflation for the prior 3 years. The taxes assessed in the prior year do not include taxes from class 1 net proceeds and class 2 gross proceeds. The calculated mills must be rounded up to the nearest whole number.

If reappraisal raises the assessed value of existing property up sufficiently, the county equalization levy of 55 mills may have to be reduced.

### Revenue Projection:

| | Fiscal Year | Total Collections Millions | General Fund Collections Millions | GF Percent Change |
|---|---|---|---|---|
| A | 1983 | 0.000000 | 0.000000 | Not App. |
| A | 1984 | 128.445172 | 128.445172 | Not App. |
| A | 1985 | 133.608178 | 133.608178 | 4.02% |
| A | 1986 | 134.707251 | 134.707251 | 0.82% |
| A | 1987 | 128.225413 | 128.225413 | -4.81% |
| A | 1988 | 111.111138 | 111.111138 | -13.35% |
| A | 1989 | 114.444609 | 114.444609 | 3.00% |
| A | 1990 | 112.374543 | 112.374543 | -1.81% |
| A | 1991 | 119.161125 | 119.161125 | 6.04% |
| A | 1992 | 129.526346 | 129.526346 | 8.70% |
| A | 1993 | 134.154928 | 134.154928 | 3.57% |
| A | 1994 | 124.696589 | 124.696589 | -7.05% |
| A | 1995 | 126.265989 | 126.265989 | 1.26% |
| A | 1996 | 122.329028 | 122.329028 | -3.12% |
| A | 1997 | 135.893657 | 135.893657 | 11.09% |
| A | 1998 | 128.708743 | 128.708743 | -5.29% |
| A | 1999 | 130.388345 | 130.388345 | 1.30% |
| A | 2000 | 125.145645 | 125.145645 | -4.02% |
| A | 2001 | 115.454627 | 115.454627 | -7.74% |
| A | 2002 | 105.375801 | 105.375801 | -8.73% |
| A | 2003 | 106.028709 | 106.028709 | 0.62% |
| A | 2004 | 104.223809 | 104.223809 | -1.70% |
| F | 2005 | 104.539000 | 104.539000 | 0.30% |
| F | 2006 | 107.018000 | 107.018000 | 2.37% |
| F | 2007 | 110.268000 | 110.268000 | 3.04% |

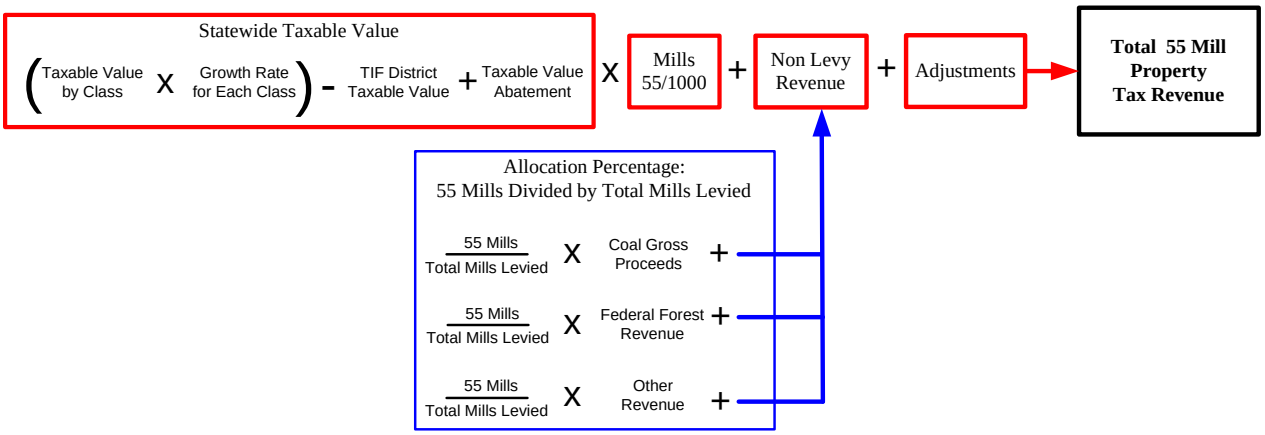


# Legislative Fiscal Division

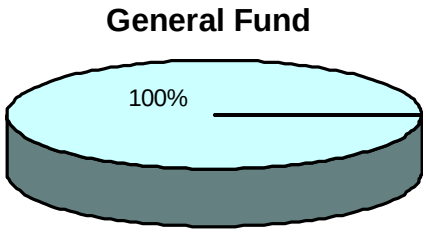
Revenue Estimate Profile

## Property Tax: 55 Mill

### Forecast Methodology




### Distribution Methodology



# Legislative Fiscal Division

Revenue Estimate Profile

## Property Tax: 55 Mill

### Revenue Estimate Assumptions

| | t Fiscal | Total Tax Millions | GF Tax Millions | Tax. Value Millions | Mills/1000 Applied | Non-Levy Millions | Adjustments Millions |
|---|---|---|---|---|---|---|---|
| Actual | 2000 | 125.145645 | 125.145645 | 1863.986815 | 0.055000 | 23.445540 | 0.274000 |
| Actual | 2001 | 115.454627 | 115.454627 | 1656.909416 | 0.055000 | 16.482000 | 4.933824 |
| Actual | 2002 | 105.375801 | 105.375801 | 1671.589714 | 0.055000 | 13.809000 | 0.000000 |
| Actual | 2003 | 106.028709 | 106.028709 | 1691.720391 | 0.055000 | 11.424000 | 0.000000 |
| Actual | 2004 | 104.223809 | 104.223809 | 1703.300593 | 0.055000 | 13.316000 | 0.000000 |
| Forecast | 2005 | 104.539000 | 104.539000 | 1756.251400 | 0.055000 | 8.314933 | -0.370000 |
| Forecast | 2006 | 107.018000 | 107.018000 | 1802.671553 | 0.055000 | 8.240996 | -0.370000 |
| Forecast | 2007 | 110.268000 | 110.268000 | 1856.267989 | 0.055000 | 8.543058 | -0.370000 |

| | t Fiscal | Class 1 Millions | Class 2 Millions | Class 3 Millions | Class 4 Millions | Class 5 Millions | Class 6 Millions | Class 7 Millions |
|---|---|---|---|---|---|---|---|---|
| Actual | 2000 | 7.026572 | 8.282057 | 139.192024 | 894.188310 | 37.015035 | 22.570979 | 1.881621 |
| Actual | 2001 | 5.178965 | 8.460976 | 139.318879 | 920.536186 | 39.008611 | 15.695230 | 0.155867 |
| Actual | 2002 | 7.842501 | 11.014983 | 139.057406 | 954.102342 | 35.667858 | 12.459077 | 0.189041 |
| Actual | 2003 | 8.691402 | 10.669321 | 138.900095 | 1002.873942 | 35.382198 | 6.167237 | 0.216414 |
| Actual | 2004 | 7.808005 | 8.799575 | 140.240224 | 1034.656439 | 32.725014 | 0.000000 | 0.995149 |
| Forecast | 2005 | 8.032414 | 10.428300 | 139.901823 | 1076.984542 | 34.024275 | 0.000000 | 0.974316 |
| Forecast | 2006 | 9.080467 | 12.718855 | 139.901823 | 1118.986939 | 34.058299 | 0.000000 | 0.974316 |
| Forecast | 2007 | 9.080467 | 17.057981 | 139.901823 | 1162.627430 | 34.092357 | 0.000000 | 0.974316 |

| | t Fiscal | Class 8 Millions | Class 9 Millions | Class 10 Millions | Class 12 Millions | Class 13 Millions | TIF's Millions | Abatement Millions |
|---|---|---|---|---|---|---|---|---|
| Actual | 2000 | 215.748092 | 498.030237 | 8.520090 | 68.192588 | 0.000000 | 44.535577 | 7.874787 |
| Actual | 2001 | 112.782734 | 230.832978 | 8.708849 | 49.641444 | 147.142750 | 28.428840 | 7.874787 |
| Actual | 2002 | 116.605209 | 219.955767 | 8.198788 | 48.658380 | 144.488095 | 30.529563 | 3.879830 |
| Actual | 2003 | 118.348926 | 206.360123 | 7.170239 | 46.688479 | 137.184847 | 30.802832 | 3.870000 |
| Actual | 2004 | 118.296988 | 212.110930 | 6.789287 | 45.630257 | 125.622547 | 33.562140 | 3.188318 |
| Forecast | 2005 | 117.240984 | 219.992824 | 6.791382 | 45.074061 | 120.485065 | 27.766903 | 4.088317 |
| Forecast | 2006 | 121.344418 | 219.772831 | 6.675929 | 44.172580 | 118.557304 | 27.766903 | 4.194695 |
| Forecast | 2007 | 125.591473 | 219.553058 | 6.562438 | 43.289128 | 116.660387 | 23.430450 | 4.307581 |

**Non Levy Revenue** includes federal forest receipts, coal gross proceeds revenue, and other revenue which is distributed to statewide and local mills in each county. Before July 1, 2001, vehicle fees in lieu of taxes, financial institution taxes, and reimbursements from the state were non levy revenue. Before January 1, 2003, oil and natural gas receipts were treated as non-levy revenue. The mills to which non levy revenue is distributed are unique for each county and each non levy revenue source. The state's portion of non-levy revenue is remitted to the state as a portion of the appropriate property tax. For instance, statewide 40 mill revenue includes a property tax portion and a non levy portion.

A description for each individual source follows below.

## Federal Forest Receipts

**Revenue Description:** The federal government authorizes logging operations on forest lands located within the borders of Montana. Through federal fiscal year 2000, the sale of timber generated revenue that the federal government shared with the state in the following year. The state received 25 percent of the federal forest receipts and sent the money to the county treasurer of the county in which the receipts were generated. Within thirty days, the county treasurer distributes the money to various county and state accounts.

Beginning November 2000, HR 2389 (federal legislation) fixes the allocation to the state at the average of the highest three years of forest receipts in the state. Not more than 20 percent and not less than 15 percent may be used by county governments for special projects on federal lands. The remainder is distributed under state law as described below.

**Applicable Tax Rate(s):** N/A

**Distribution:** The county treasurer apportions federal forest receipts in the following manner. Not more than 20% and not less than 15% is distributed to county government for special projects on federal land. Of the remainder:

- 66 2/3% goes to the general fund of the county
- 33 1/3% goes to the following countywide accounts, based on the mill ratios of each to total mills in the prior year: county equalization accounts (55 mills), county transportation account, county retirement accounts

**Collection Frequency:** Twice annually (usually October and December).

**Applicable Assumptions and/or Relevant Indicators:**

Federal Forest Timber Prices
Federal Board Feet Harvested
Mill Levies for County Transportation and Retirement Accounts

**Data Source(s):** U.S. Forest Service survey, SABHRS

**Contacts:** U.S. Forest Service

**Statutory References:**

Tax Rate – NA
Distribution (MCA) – 17-3-211, 17-3-212
Date Due - the state treasurer distributes the funds within 30 days after receiving full payment

**% of Total FY 2004 General Fund Revenue:** Included in total property tax contribution.

**Revenue Estimate Methodology:** The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source.

The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

With the passage of federal HR 2389, the level of forest receipts by the state as a whole will grow by ½ the rate of inflation for rural communities. The general fund share (to the 55 mills) will only vary as the percentage the 55 mills represents of total levied mills

varies. Total mills levied are forecast to increase by ½ the rate of inflation as measured by the Consumer Price Index in fiscal 2003 through 2005.

## COAL GROSS PROCEEDS TAX

**Revenue Description:** The state imposes a gross proceeds tax of 5.0 percent on the gross value of coal produced by all the coal mines in the state. The gross value of coal is computed as the tonnage of coal produced and sold times the contract sales price. This is the same gross value as used in the calculation of the state coal severance tax.

The tax is applied to one year's worth of production and the producer is billed in the following year. The producer pays the tax to the county treasurer in which the mine is located in two equal installments. One is in November of the notice year and the other is in May of the following year. Once received by the county treasurer, the tax revenue is distributed one month after receipt.

**Applicable Tax Rate(s):** The amount of tax due is 5.0 percent of the value of production as measured by the contract sales price for production in the preceding calendar year.

**Distribution:** The county treasurer distributes the coal gross proceeds tax based on the relative proportions of mill levies for the state, counties, and school districts as these existed in tax year 1989. At that time the county equalization mill levy was 45 mills. However, coal gross proceeds from new mines (starting business after December 31, 1988) are distributed across mill levies in the previous fiscal year.

**Collection Frequency:** The coal gross proceeds tax is collected twice annually in November and May. The state receives the tax revenue in December and June.

### Applicable Assumptions and/or Relevant Indicators:

Montana Coal Production
Montana Contract Sales Price
Statewide Average Mill Ratios

**Data Source(s)**: Coal Company Surveys, Department of Revenue, County Treasurers

**Contacts:** Coal Company Representatives, Department of Revenue, County Treasurers

### Statutory References:

Tax Rate (MCA) – 15-23-703(1)
Tax Distribution (MCA) – 15-23-703(3)

**% of Total FY 2004 General Fund Revenue:** Included in total property tax contribution.

**Revenue Estimate Methodology:** The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The major coal companies are surveyed for anticipated production levels and general indications of coal prices. In addition, a review is performed of historical trends and current literature on coal prices. The taxable value is then computed for each company by taking anticipated production, and multiplying that number by the contract sales price. Taxable value is then multiplied by the applicable tax

rate to determine tax revenue. The final step involves applying the mill ratio for the state county equalization levy to the average statewide levy for tax year 1989 for the counties in which mines are located.

## OTHER REVENUE

### Revenue Description:

The county equalization account receives other revenue in addition to the types listed elsewhere. These include penalties and interest, back taxes, investment earnings, recreational fees, tax title and property sales, various state grants and fees, district court fines, county rents and lease income, and various revenue from federal sources such as PILT, Taylor Grazing and Bankhead Jones payments.

**Applicable Tax Rate(s):** N/A

**Distribution:** Varies

**Collection Frequency:** Varies

**Applicable Assumptions and/or Relevant Indicators:** Because these sources are fairly stable in total, the last known year of collections is usually used to forecast future collections.

**Data Source(s):** County Collection Reports

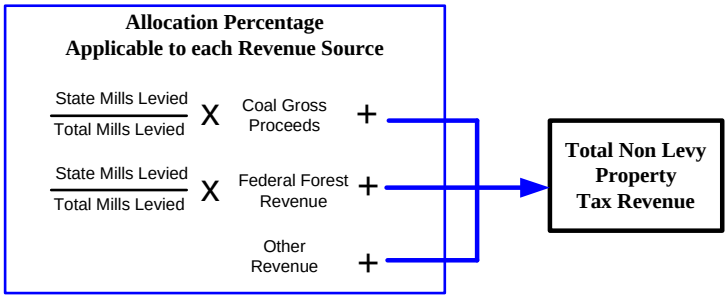
**Contacts:** Office of Public Instruction

**Statutory References:** Various

**% of Total FY 2004 General Fund Revenue:** Included in total property tax contribution.

**Revenue Estimate Methodology: :** Because these sources are fairly stable in total, the last known year of collections is usually used to forecast future collections. Data for the last known year are obtained from data provided to the Office of Public Instruction by the county treasurers.

### Forecast and Distribution Methodology



# Legislative Fiscal Division

Revenue Estimate Profile

## Property Tax: 40 Mill

**Applicable Tax Rate(s):** Each property class has its own tax rate which is applied to assessed value to produce a taxable value. For every $1,000 in taxable value, 40 mills generates $40 in state property taxes..

**Distribution:** All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

**Collection Frequency:** Monthly with significant state deposits in December and June.

### Major Drivers:

- Assessed Value of property
- Tax Rates for each class of property
- Homestead and comstead exemptions
- Tax Increment Financing (TIF) property values
- Abated property values

### Potential Factors Influencing Change:

- Economic Factors
  - Personal income change
  - Population change
  - In-migration of business
  - Success of business
  - Demand for local government services
- Social Factors
  - Demand for new housing
- Legislative Factors
  - State legislative impacts
    - Reappraisal mitigation
    - Tax rate changes
    - Property class definition
  - Federal legislative impacts
    - Federal 4R act as applies to railroad and airline property

**Data Source(s):** Department of Revenue (DOR), Office of Public Instruction (OPI), County Assessor Offices, Montana Association of Counties (MACO)

**Contacts:** Department of Revenue

### Statutory Reference:

Tax Rate (MCA) – 20-9-360
Tax Distribution (MCA) – 20-9-360
Date Due – one-half of taxes due November 30th and one-half due May 31st (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

**% of Total FY 2004 General Fund Revenue:** 4.66 %

# Legislative Fiscal Division

Revenue Estimate Profile

## Property Tax: 40 Mill

**Revenue Estimate Methodology:** The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

There are twelve classes of property, each with its own tax rate. A growth rate for each class (except classes 1 and 2) is applied to taxable values in a base year. The latest base year is tax year 2004, which generates state and local revenue in fiscal 2005 since property taxes are paid in November and May of the following year. Growth rates for tax years 2005 and 2006 are derived by discerning trends in historical market values for each class of property. Future, known changes in taxable value are also applied. The taxable value of class 8 business equipment is adjusted to reflect the fact that a portion (approximately 38 percent) of this property pays its property taxes early based on prior year mills.

Taxable values of all property in tax year 2004 (fiscal 2005) are known and represent the second year of a six-year phasing in of reappraisal of values for class 4 residential and commercial real estate, class 3 agricultural land and class 10 timberland. Tax year 2004 is also the second year of the phasing-up of the two homestead exemptions for residential and commercial real estate, and the phasing down of class 4 tax rate reductions.

The future taxable values of classes 1 (net proceeds of all mines other than coal and metal) and 2 (gross proceeds of metal mines) are derived from forecasts of mine production and prices.

The resulting forecast of statewide taxable value is reduced by the amount of incremental property in tax increment finance districts and increased by the amount of property receiving local property tax abatements. Tax increment financing (TIF) districts are in urban centers where all local and state mills are applied to the increment in property values from a base year. State and local levies applied to the increment stay with the TIF district and are unavailable to state and local jurisdictions. Local property tax abatements are partial or total reductions in property values for local jurisdictions mills only. State mills are applied to local property abatements and thus are part of the state property tax base.

State 40 mill property tax revenue in future years is derived by applying the state mill levy to the projected statewide net taxable value. This amount is further adjusted downward by SB 417 reimbursements. SB 417 reimbursements are amounts allowed to be deducted from the 40 mill levy for reductions in class 8 business equipment tax rates from 9 percent to 6 percent between tax years 1996 and 1998. These reimbursements are declining at 10 percent per year until eliminated in tax year 2008.

Two issues require further discussion for this source. Beginning in tax year 2004 and each future year the tax rate on class 8 business equipment will be subject to a test to determine whether the rate will be reduced by 1 percent per year until the rate reaches zero. The rate reductions will take effect if inflation adjusted growth in Montana wages and salaries in the prior year is at least 2.85 percent. The real wage growth "trigger" was not reached for calendar 2003 (determined in calendar 2004), and thus the class 8 tax rate will remain at 3 percent for the 2007 biennium.

Also, in 15-10-420 MCA, a governing entity, including the state but excluding schools, is authorized to impose a mill levy sufficient to generate the amount of property taxes assessed in the prior year plus one-half the rate of inflation for the prior three years. The maximum number of mills that a governmental entity may impose is established by calculating the number of mills required to generate the amount of property tax assessed in the prior year based on the current year taxable value, less the current year's value of newly taxable property, plus one-half the rate of inflation for the prior 3 years. The taxes assessed in the prior year do not include taxes from class 1 net proceeds and class 2 gross proceeds. The calculated mills must be rounded up to the nearest whole number.

If reappraisal raises the assessed value of existing property up sufficiently, the State equalization levy of 40 mills may have to be reduced.

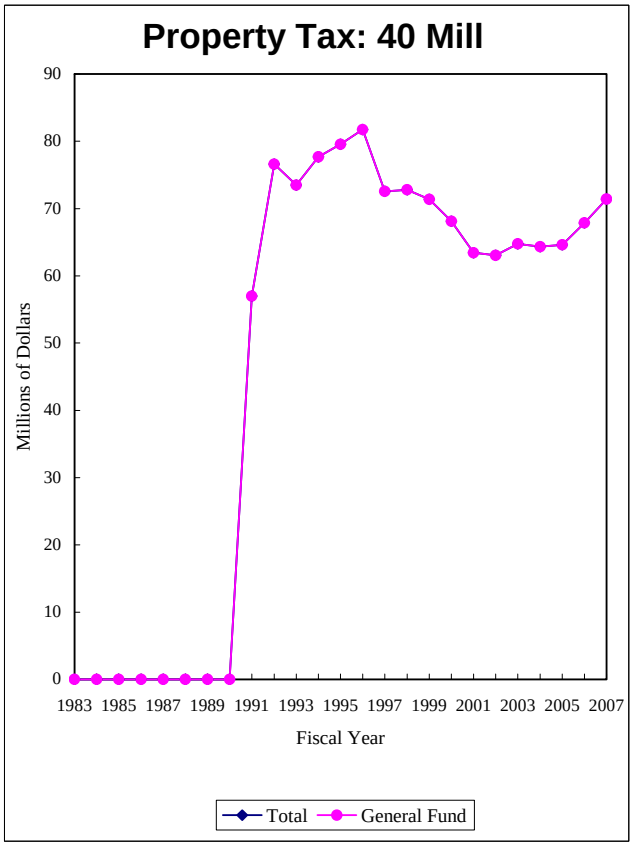
# Legislative Fiscal Division

Revenue Estimate Profile

## Property Tax: 40 Mill

### Revenue Projection:

| | Fiscal Year | Total Collections Millions | General Fund Collections Millions | GF Percent Change |
|---|---|---|---|---|
| A | 1983 | 0.000000 | 0.000000 | Not App. |
| A | 1984 | 0.000000 | 0.000000 | Not App. |
| A | 1985 | 0.000000 | 0.000000 | Not App. |
| A | 1986 | 0.000000 | 0.000000 | Not App. |
| A | 1987 | 0.000000 | 0.000000 | Not App. |
| A | 1988 | 0.000000 | 0.000000 | Not App. |
| A | 1989 | 0.000000 | 0.000000 | Not App. |
| A | 1990 | 0.000000 | 0.000000 | Not App. |
| A | 1991 | 56.993458 | 56.993458 | Not App. |
| A | 1992 | 76.611683 | 76.611683 | 34.42% |
| A | 1993 | 73.491444 | 73.491444 | -4.07% |
| A | 1994 | 77.685356 | 77.685356 | 5.71% |
| A | 1995 | 79.576682 | 79.576682 | 2.43% |
| A | 1996 | 81.753560 | 81.753560 | 2.74% |
| A | 1997 | 72.560534 | 72.560534 | -11.24% |
| A | 1998 | 72.792875 | 72.792875 | 0.32% |
| A | 1999 | 71.370740 | 71.370740 | -1.95% |
| A | 2000 | 68.119545 | 68.119545 | -4.56% |
| A | 2001 | 63.423977 | 63.423977 | -6.89% |
| A | 2002 | 63.044975 | 63.044975 | -0.60% |
| A | 2003 | 64.767167 | 64.767167 | 2.73% |
| A | 2004 | 64.339197 | 64.339197 | -0.66% |
| F | 2005 | 64.600000 | 64.600000 | 0.41% |
| F | 2006 | 67.869000 | 67.869000 | 5.06% |
| F | 2007 | 71.426000 | 71.426000 | 5.24% |

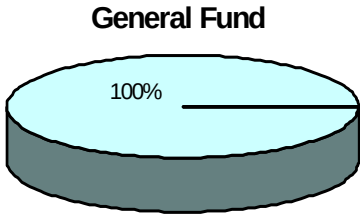



### Forecast Methodology

Statewide Taxable Value

( Taxable Value by Class X Growth Rate for Each Class ) - TIF District Taxable Value + Taxable Value Abatement X Mills 40/1000 + Adjustments → **Total 40 Mill Property Tax Revenue**

### Distribution Methodology



# Legislative Fiscal Division

Revenue Estimate Profile

## Property Tax: 40 Mill

### Revenue Estimate Assumptions

| | t Fiscal | Total Tax Millions | GF Tax Millions | Tax. Value Millions | Mills/1000 Applied | Non-Levy Millions | Adjustments Millions |
|---|---|---|---|---|---|---|---|
| Actual | 2000 | 68.119545 | 68.119545 | 1863.986815 | 0.040000 | 10.810197 | -12.712919 |
| Actual | 2001 | 63.423977 | 63.423977 | 1656.909416 | 0.040000 | 5.251000 | -11.300000 |
| Actual | 2002 | 63.044975 | 63.044975 | 1671.589714 | 0.040000 | 4.705000 | -9.888000 |
| Actual | 2003 | 64.767167 | 64.767167 | 1691.720391 | 0.040000 | 2.983000 | -8.475000 |
| Actual | 2004 | 64.339197 | 64.339197 | 1703.300593 | 0.040000 | 4.315000 | -7.063000 |
| Forecast | 2005 | 64.600000 | 64.600000 | 1756.251400 | 0.040000 | 0.000000 | -5.650000 |
| Forecast | 2006 | 67.869000 | 67.869000 | 1802.671553 | 0.040000 | 0.000000 | -4.238000 |
| Forecast | 2007 | 71.426000 | 71.426000 | 1856.267989 | 0.040000 | 0.000000 | -2.825000 |

| | t Fiscal | Class 1 Millions | Class 2 Millions | Class 3 Millions | Class 4 Millions | Class 5 Millions | Class 6 Millions | Class 7 Millions |
|---|---|---|---|---|---|---|---|---|
| Actual | 2000 | 7.026572 | 8.282057 | 139.192024 | 894.188310 | 37.015035 | 22.570979 | 1.881621 |
| Actual | 2001 | 5.178965 | 8.460976 | 139.318879 | 920.536186 | 39.008611 | 15.695230 | 0.155867 |
| Actual | 2002 | 7.842501 | 11.014983 | 139.057406 | 954.102342 | 35.667858 | 12.459077 | 0.189041 |
| Actual | 2003 | 8.691402 | 10.669321 | 138.900095 | 1002.873942 | 35.382198 | 6.167237 | 0.216414 |
| Actual | 2004 | 7.808005 | 8.799575 | 140.240224 | 1034.656439 | 32.725014 | 0.000000 | 0.995149 |
| Forecast | 2005 | 8.032414 | 10.428300 | 139.901823 | 1076.984542 | 34.024275 | 0.000000 | 0.974316 |
| Forecast | 2006 | 9.080467 | 12.718855 | 139.901823 | 1118.986939 | 34.058299 | 0.000000 | 0.974316 |
| Forecast | 2007 | 9.080467 | 17.057981 | 139.901823 | 1162.627430 | 34.092357 | 0.000000 | 0.974316 |

| | t Fiscal | Class 8 Millions | Class 9 Millions | Class 10 Millions | Class 12 Millions | Class 13 Millions | TIF's Millions | Abatement Millions |
|---|---|---|---|---|---|---|---|---|
| Actual | 2000 | 215.7480920 | 498.0302370 | 8.5200900 | 68.1925880 | 0.0000000 | 44.5355770 | 7.8747870 |
| Actual | 2001 | 112.7827340 | 230.8329780 | 8.7088490 | 49.6414440 | 147.1427500 | 28.4288400 | 7.8747870 |
| Actual | 2002 | 116.6052090 | 219.9557670 | 8.1987880 | 48.6583800 | 144.4880950 | 30.5295630 | 3.8798300 |
| Actual | 2003 | 118.3489260 | 206.3601230 | 7.1702390 | 46.6884790 | 137.1848470 | 30.8028320 | 3.8700000 |
| Actual | 2004 | 118.2969880 | 212.1109300 | 6.7892870 | 45.6302570 | 125.6225470 | 33.5621400 | 3.1883180 |
| Forecast | 2005 | 117.2409840 | 219.9928240 | 6.7913820 | 45.0740610 | 120.4850650 | 27.7669030 | 4.0883170 |
| Forecast | 2006 | 121.3444180 | 219.7728310 | 6.6759290 | 44.1725800 | 118.5573040 | 27.7669030 | 4.1946950 |
| Forecast | 2007 | 125.5914730 | 219.5530580 | 6.5624380 | 43.2891280 | 116.6603870 | 23.4304500 | 4.3075810 |

# Legislative Fiscal Division

Revenue Estimate Profile

## Property Tax: 6 Mill

**Applicable Tax Rate(s):** Each property class has its own tax rate which is applied to assessed value to produce a taxable value. For every $1,000 in taxable value, 6 mills generates $6 in state property taxes.

**Distribution:** All tax receipts are deposited into the university system 6 mill levy state special revenue account.

**Collection Frequency:** Monthly with significant state deposits in December and June.

### Major Drivers:

- Assessed Value of property
- Tax Rates for each class of property
- Homestead and comstead exemptions
- Tax Increment Financing (TIF) property values
- Abated property values

### Potential Factors Influencing Change:

- Economic Factors
  - Personal income change
  - Population change
  - In-migration of business
  - Success of business
  - Demand for local government services
- Social Factors
  - Demand for new housing
- Legislative Factors
  - State legislative impacts
    - Reappraisal mitigation
    - Tax rate changes
    - Property class definition
  - Federal legislative impacts
    - Federal 4R act as applies to railroad and airline property

**Data Source(s):** Department of Revenue (DOR), Office of Public Instruction (OPI), County Assessor Offices, Montana Association of Counties (MACO)

**Contacts:** Department of Revenue

### Statutory Reference:

Tax Rate (MCA) – 15-10-107
Tax Distribution (MCA) – 15-10-107
Date Due – one-half of taxes due November 30th and one-half due May 31st (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

### % of Total FY 2004 General Fund Revenue: NA

# Legislative Fiscal Division

Revenue Estimate Profile

## Property Tax: 6 Mill

**Revenue Estimate Methodology:** The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

There are twelve classes of property, each with its own tax rate. A growth rate for each class (except classes 1 and 2) is applied to taxable values in a base year. The latest base year is tax year 2004, which generates state and local revenue in fiscal 2005 since property taxes are paid in November and May of the following year. Growth rates for tax years 2005 and 2006 are derived by discerning trends in historical market values for each class of property. Future, known changes in taxable value are also applied. The taxable value of class 8 business equipment is adjusted to reflect the fact that a portion (approximately 38 percent) of this property pays its property taxes early based on prior year mills.

Taxable values of all property in tax year 2004 (fiscal 2005) are known and represent the second year of a six-year phasing in of reappraisal of values for class 4 residential and commercial real estate, class 3 agricultural land and class 10 timberland. Tax year 2004 is also the second year of the phasing-up of the two homestead exemptions for residential and commercial real estate, and the phasing down of class 4 tax rate reductions.

The future taxable values of classes 1 (net proceeds of all mines other than coal and metal) and 2 (gross proceeds of metal mines) are derived from forecasts of mine production and prices.

The resulting forecast of statewide taxable value is increased by the value of local abated property. Local property tax abatements are partial or total reductions in property values for local jurisdictions mills only. State mills are applied to local property abatements and thus are part of the state property tax base.

State 6 mill property tax revenue in future years is derived by applying the state mill levy to the projected statewide net taxable value.

Two issues require further discussion for this source. Beginning in tax year 2004 and each future year the tax rate on class 8 business equipment will be subject to a test to determine whether the rate will be reduced by 1 percent per year until the rate reaches zero. The rate reductions will take effect if inflation adjusted growth in Montana wages and salaries in the prior year is at least 2.85 percent. The real wage growth "trigger" was not reached for calendar 2003 (determined in calendar 2004), and thus the class 8 tax rate will remain at 3 percent for the 2007 biennium.

Also, in 15-10-420 MCA, a governing entity, including the state but excluding schools, is authorized to impose a mill levy sufficient to generate the amount of property taxes assessed in the prior year plus one-half the rate of inflation for the prior three years. The maximum number of mills that a governmental entity may impose is established by calculating the number of mills required to generate the amount of property tax assessed in the prior year based on the current year taxable value, less the current year's value of newly taxable property, plus one-half the rate of inflation for the prior 3 years. The taxes assessed in the prior year do not include taxes from class 1 net proceeds and class 2 gross proceeds. The calculated mills must be rounded up to the nearest whole number.

If reappraisal raises the assessed value of existing property up sufficiently, the University levy of 6 mills may have to be reduced.

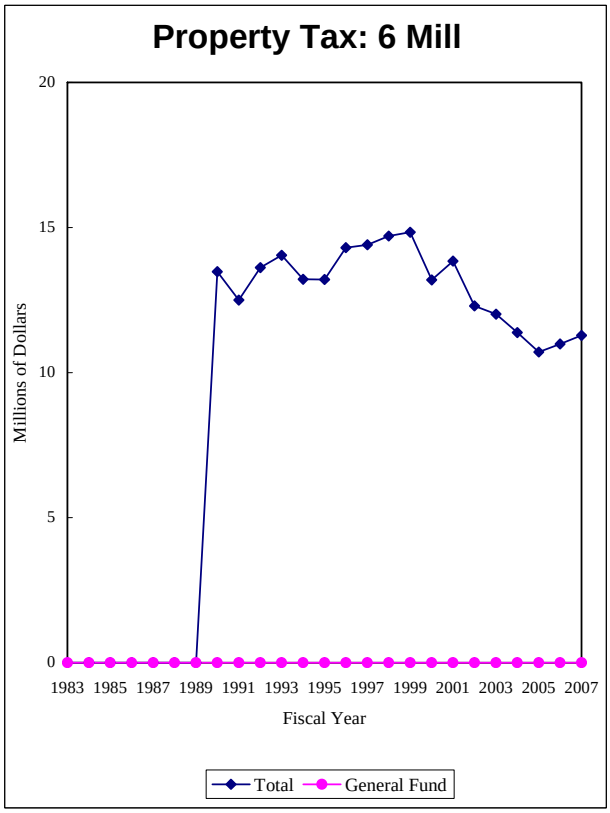
# Legislative Fiscal Division

Revenue Estimate Profile

## Property Tax: 6 Mill

### Revenue Projection:

| | Fiscal Year | Total Collections Millions | General Fund Collections Millions | GF Percent Change |
|---|---|---|---|---|
| A | 1983 | 0.000000 | 0.000000 | Not App. |
| A | 1984 | 0.000000 | 0.000000 | Not App. |
| A | 1985 | 0.000000 | 0.000000 | Not App. |
| A | 1986 | 0.000000 | 0.000000 | Not App. |
| A | 1987 | 0.000000 | 0.000000 | Not App. |
| A | 1988 | 0.000000 | 0.000000 | Not App. |
| A | 1989 | 0.000000 | 0.000000 | Not App. |
| A | 1990 | 13.474561 | 0.000000 | Not App. |
| A | 1991 | 12.496650 | 0.000000 | Not App. |
| A | 1992 | 13.617908 | 0.000000 | Not App. |
| A | 1993 | 14.043891 | 0.000000 | Not App. |
| A | 1994 | 13.216589 | 0.000000 | Not App. |
| A | 1995 | 13.205272 | 0.000000 | Not App. |
| A | 1996 | 14.303006 | 0.000000 | Not App. |
| A | 1997 | 14.403716 | 0.000000 | Not App. |
| A | 1998 | 14.702250 | 0.000000 | Not App. |
| A | 1999 | 14.833917 | 0.000000 | Not App. |
| A | 2000 | 13.189138 | 0.000000 | Not App. |
| A | 2001 | 13.837616 | 0.000000 | Not App. |
| A | 2002 | 12.298211 | 0.000000 | Not App. |
| A | 2003 | 12.010924 | 0.000000 | Not App. |
| A | 2004 | 11.374292 | 0.000000 | Not App. |
| F | 2005 | 10.704000 | 0.000000 | Not App. |
| F | 2006 | 10.983000 | 0.000000 | Not App. |
| F | 2007 | 11.278000 | 0.000000 | Not App. |



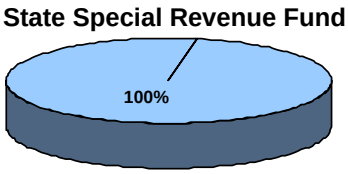

### Forecast Methodology

Statewide Taxable Value

( Taxable Value by Class X Growth Rate for Each Class ) - TIF District Taxable Value + Taxable Value Abatement

X Mills 6/1000 + Adjustments → **Total 6 Mill Property Tax Revenue**

### Distribution Methodology



# Legislative Fiscal Division

Revenue Estimate Profile

## Property Tax: 6 Mill

### Revenue Estimate Assumptions

| | t Fiscal | Total Tax Millions | GF Tax Millions | Tax. Value Millions | Mills/1000 Applied | Non-Levy Millions | Adjustments Millions |
|---|---|---|---|---|---|---|---|
| Actual | 2000 | 13.189138 | 0.000000 | 1900.647605 | 0.006000 | 2.584415 | 0.000000 |
| Actual | 2001 | 13.837616 | 0.000000 | 1677.463469 | 0.006000 | 1.758000 | 0.657843 |
| Actual | 2002 | 12.298211 | 0.000000 | 1698.239447 | 0.006000 | 1.588000 | 0.000000 |
| Actual | 2003 | 12.010924 | 0.000000 | 1722.523223 | 0.006000 | 1.082000 | 0.000000 |
| Actual | 2004 | 11.374292 | 0.000000 | 1736.862733 | 0.006000 | 0.000000 | 0.000000 |
| Forecast | 2005 | 10.704000 | 0.000000 | 1784.018303 | 0.006000 | 0.000000 | 0.000000 |
| Forecast | 2006 | 10.983000 | 0.000000 | 1830.438456 | 0.006000 | 0.000000 | 0.000000 |
| Forecast | 2007 | 11.278000 | 0.000000 | 1879.698439 | 0.006000 | 0.000000 | 0.000000 |

| | t Fiscal | Class 1 Millions | Class 2 Millions | Class 3 Millions | Class 4 Millions | Class 5 Millions | Class 6 Millions | Class 7 Millions |
|---|---|---|---|---|---|---|---|---|
| Actual | 2000 | 7.026572 | 8.282057 | 139.192024 | 894.188310 | 37.015035 | 22.570979 | 1.881621 |
| Actual | 2001 | 5.178965 | 8.460976 | 139.318879 | 920.536186 | 39.008611 | 15.695230 | 0.155867 |
| Actual | 2002 | 7.842501 | 11.014983 | 139.057406 | 954.102342 | 35.667858 | 12.459077 | 0.189041 |
| Actual | 2003 | 8.691402 | 10.669321 | 138.900095 | 1002.873942 | 35.382198 | 6.167237 | 0.216414 |
| Actual | 2004 | 7.808005 | 8.799575 | 140.240224 | 1034.656439 | 32.725014 | 0.000000 | 0.995149 |
| Forecast | 2005 | 8.032414 | 10.428300 | 139.901823 | 1076.984542 | 34.024275 | 0.000000 | 0.974316 |
| Forecast | 2006 | 9.080467 | 12.718855 | 139.901823 | 1118.986939 | 34.058299 | 0.000000 | 0.974316 |
| Forecast | 2007 | 9.080467 | 17.057981 | 139.901823 | 1162.627430 | 34.092357 | 0.000000 | 0.974316 |

| | t Fiscal | Class 8 Millions | Class 9 Millions | Class 10 Millions | Class 12 Millions | Class 13 Millions | TIF's Millions | Abatement Millions |
|---|---|---|---|---|---|---|---|---|
| Actual | 2000 | 215.748092 | 498.030237 | 8.520090 | 68.192588 | 0.000000 | 44.535577 | 7.874787 |
| Actual | 2001 | 112.782734 | 230.832978 | 8.708849 | 49.641444 | 147.142750 | 28.428840 | 7.874787 |
| Actual | 2002 | 116.605209 | 219.955767 | 8.198788 | 48.658380 | 144.488095 | 30.529563 | 3.879830 |
| Actual | 2003 | 118.348926 | 206.360123 | 7.170239 | 46.688479 | 137.184847 | 30.802832 | 3.870000 |
| Forecast | 2004 | 118.296988 | 212.110930 | 6.789287 | 45.630257 | 125.622547 | 33.562140 | 3.188318 |
| Forecast | 2005 | 117.240984 | 219.992824 | 6.791382 | 45.074061 | 120.485065 | 27.766903 | 4.088317 |
| Forecast | 2006 | 121.344418 | 219.772831 | 6.675929 | 44.172580 | 118.557304 | 27.766903 | 4.194695 |
| Forecast | 2007 | 125.591473 | 219.553058 | 6.562438 | 43.289128 | 116.660387 | 23.430450 | 4.307581 |

# Legislative Fiscal Division

Revenue Estimate Profile

## Property Tax: 1.5 Mill

**Revenue Description:** Beginning in fiscal 1997, statute requires the boards of county commissioners in the five counties where colleges of technology reside, to levy 1.5 mills for deposit in the state general fund. This revenue component used to include collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. HB 124, passed during the 2001 legislative session, eliminated distribution of non-levy sources to the 1.5 mill levy.

**Applicable Tax Rate(s):** Each property class has its own tax rate which is applied to assessed value to produce a taxable value. For every $1,000 in taxable value,1.5 mills generates $1.50 in state property taxes.

**Distribution:** All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

**Collection Frequency:** Monthly with significant state deposits in December and June.

### Major Drivers:

- Assessed Value of property
- Growth rates for assessed values of property
- Tax Rates for each class of property
- Homestead and comstead exemptions
- Class tax rates
- Tax Increment Financing (TIF) property values
- Abated property values
- Nonlevy revenue growth rates

### Potential Factors Influencing Change:

- Economic Factors
    - Personal income change
    - Population change
    - In-migration of business
    - Success of business
    - Demand for local government services
- Social Factors
    - Demand for new housing
- Legislative Factors
    - State legislative impacts
        - Reappraisal mitigation
        - Tax rate changes
        - Property class definition
    - Federal legislative impacts
        - Federal 4R act as applies to railroad and airline property

**Data Source(s):** Department of Revenue (DOR), Office of Public Instruction (OPI), County Assessor Offices, Montana Association of Counties (MACO)

**Contacts:** Department of Revenue

### Statutory Reference:

Tax Rate (MCA) – 20-25-439(1)
Tax Distribution (MCA) – 20-25-439(2)

Date Due – one-half of taxes due November 30th and one-half due May 31st (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

**% of Total FY 2004 General Fund Revenue:** 0.07 %

**Revenue Estimate Methodology:** The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The 1.5 mill levy is applied to twelve classes of property, each with its own tax rate in 5 counties, Missoula, Cascade, Lewis & Clark, Flathead, and Silver Bow. A growth rate for each class (except classes 1 and 2) is applied to taxable values in a base year. The latest base year is tax year 2004, which generates state and local revenue in fiscal 2005 since property taxes are paid in November and May of the following year. Growth rates for tax years 2005 and 2006 are derived by discerning trends in historical market values for each class of property. Future, known changes in taxable value are also applied. The taxable value of class 8 business equipment is adjusted to reflect the fact that a portion (approximately 38 percent) of this property pays its property taxes early based on prior year mills.

Taxable values of all property in tax year 2004 (fiscal 2005) are known and represent the second year of a six-year phasing in of reappraisal of values for class 4 residential and commercial real estate, class 3 agricultural land and class 10 timberland. Tax year 2004 is also the second year of the phasing-up of the two homestead exemptions for residential and commercial real estate, and the phasing down of class 4 tax rate reductions.

The future taxable values of classes 1 (net proceeds of all mines other than coal and metal) and 2 (gross proceeds of metal mines) are derived from forecasts of mine production and prices.

The resulting forecast of taxable value in the five counties is reduced by the amount of incremental property in tax increment finance districts and increased by the amount of property receiving local property tax abatements. Tax increment financing (TIF) districts are in urban centers where all local and state mills are applied to the increment in property values from a base year. State and local levies applied to the increment stay with the TIF district and are unavailable to state and local jurisdictions. Local property tax abatements are partial or total reductions in property values for local jurisdictions mills only. State mills are applied to local property abatements and thus are part of the state property tax base.

Two issues require further discussion for this source. Beginning in tax year 2004 and each future year the tax rate on class 8 business equipment will be subject to a test to determine whether the rate will be reduced by 1 percent per year until the rate reaches zero. The rate reductions will take effect if inflation adjusted growth in Montana wages and salaries in the prior year is at least 2.85 percent. The real wage growth "trigger" was not reached for calendar 2003 (determined in calendar 2004), and thus the class 8 tax rate will remain at 3 percent for the 2007 biennium.

Also, in 15-10-420 MCA, a governing entity, including the state but excluding schools, is authorized to impose a mill levy sufficient to generate the amount of property taxes assessed in the prior year plus one-half the rate of inflation for the prior three years. The maximum number of mills that a governmental entity may impose is established by calculating the number of mills required to generate the amount of property tax assessed in the prior year based on the current year taxable value, less the current year's value of newly taxable property, plus one-half the rate of inflation for the prior 3 years. The taxes assessed in the prior year do not include taxes from class 1 net proceeds and class 2 gross proceeds. The calculated mills must be rounded up to the nearest whole number.

If reappraisal raises the assessed value of existing property up sufficiently, the Vo-tech levy of 1.5 mills may have to be reduced.

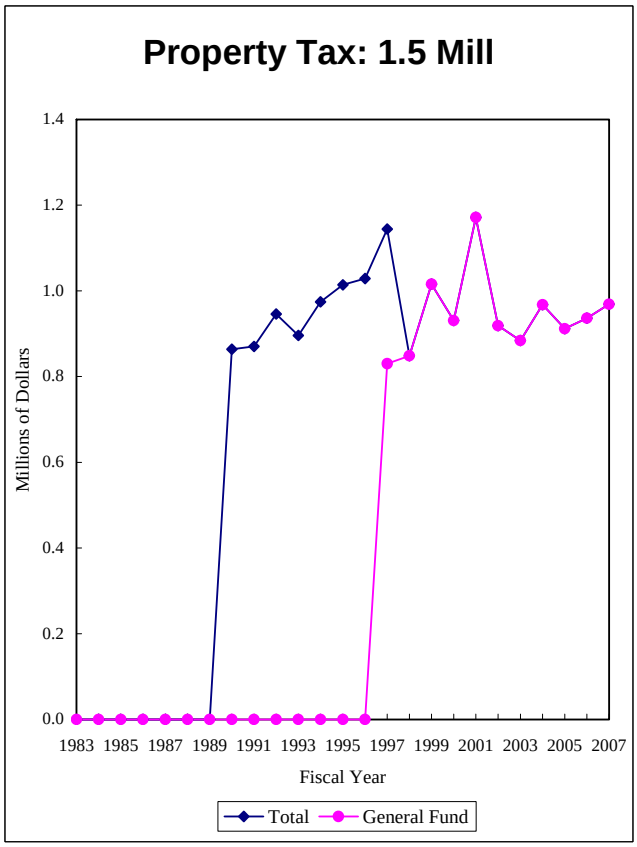
# Legislative Fiscal Division

Revenue Estimate Profile

## Property Tax: 1.5 Mill

### Revenue Projection:

| | Fiscal Year | Total Collections Millions | General Fund Collections Millions | GF Percent Change |
|---|---|---|---|---|
| A | 1983 | 0.000000 | 0.000000 | Not App. |
| A | 1984 | 0.000000 | 0.000000 | Not App. |
| A | 1985 | 0.000000 | 0.000000 | Not App. |
| A | 1986 | 0.000000 | 0.000000 | Not App. |
| A | 1987 | 0.000000 | 0.000000 | Not App. |
| A | 1988 | 0.000000 | 0.000000 | Not App. |
| A | 1989 | 0.000000 | 0.000000 | Not App. |
| A | 1990 | 0.863590 | 0.000000 | Not App. |
| A | 1991 | 0.870302 | 0.000000 | Not App. |
| A | 1992 | 0.945934 | 0.000000 | Not App. |
| A | 1993 | 0.895874 | 0.000000 | Not App. |
| A | 1994 | 0.974589 | 0.000000 | Not App. |
| A | 1995 | 1.013989 | 0.000000 | Not App. |
| A | 1996 | 1.028520 | 0.000000 | Not App. |
| A | 1997 | 1.144082 | 0.830174 | Not App. |
| A | 1998 | 0.848762 | 0.848762 | 2.24% |
| A | 1999 | 1.015894 | 1.015894 | 19.69% |
| A | 2000 | 0.930968 | 0.930968 | -8.36% |
| A | 2001 | 1.171643 | 1.171643 | 25.85% |
| A | 2002 | 0.918612 | 0.918612 | -21.60% |
| A | 2003 | 0.883986 | 0.883986 | -3.77% |
| A | 2004 | 0.967988 | 0.967988 | 9.50% |
| F | 2005 | 0.912000 | 0.912000 | -5.78% |
| F | 2006 | 0.936000 | 0.936000 | 2.63% |
| F | 2007 | 0.969000 | 0.969000 | 3.53% |

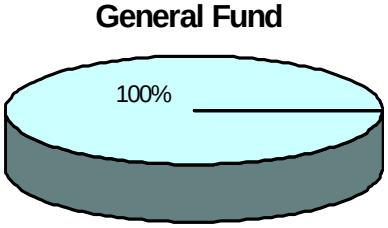



### Forecast Methodology

Statewide Taxable Value

( Taxable Value by Class X Growth Rate for Each Class ) - TIF District Taxable Value + Taxable Value Abatement X Mills 1.5/1000 → **Total 1.5 Mill Property Tax Revenue**

### Distribution Methodology



# Legislative Fiscal Division

Revenue Estimate Profile

## Property Tax: 1.5 Mill

### Revenue Estimate Assumptions

| | t Fiscal | Total Tax Millions | GF Tax Millions | Tax. Value Millions | Mills/1000 Applied | Non-Levy Millions | Adjustments Millions |
|---|---|---|---|---|---|---|---|
| Actual | 2000 | 0.930968 | 0.930968 | 618.047161 | 0.001500 | 0.121110 | 0.000000 |
| Actual | 2001 | 1.171643 | 1.171643 | 552.853841 | 0.001500 | 0.126000 | 0.038500 |
| Actual | 2002 | 0.918612 | 0.918612 | 563.452494 | 0.001500 | 0.020000 | 0.033688 |
| Actual | 2003 | 0.883986 | 0.883986 | 586.588275 | 0.001500 | 0.000000 | 0.000000 |
| Actual | 2004 | 0.967988 | 0.967988 | 596.512999 | 0.001500 | 0.000000 | 0.000000 |
| Forecast | 2005 | 0.912000 | 0.912000 | 608.056452 | 0.001500 | 0.000000 | 0.000000 |
| Forecast | 2006 | 0.936000 | 0.936000 | 624.315431 | 0.001500 | 0.000000 | 0.000000 |
| Forecast | 2007 | 0.969000 | 0.969000 | 646.070061 | 0.001500 | 0.000000 | 0.000000 |

| | t Fiscal | Class 1 Millions | Class 2 Millions | Class 3 Millions | Class 4 Millions | Class 5 Millions | Class 6 Millions | Class 7 Millions |
|---|---|---|---|---|---|---|---|---|
| Actual | 2000 | 7.026572 | 8.282057 | 139.192024 | 894.188310 | 37.015035 | 22.570979 | 1.881621 |
| Actual | 2001 | 5.178965 | 8.460976 | 139.318879 | 920.536186 | 39.008611 | 15.695230 | 0.155867 |
| Actual | 2002 | 7.842501 | 11.014983 | 139.057406 | 954.102342 | 35.667858 | 12.459077 | 0.189041 |
| Actual | 2003 | 8.691402 | 10.669321 | 138.900095 | 1002.873942 | 35.382198 | 6.167237 | 0.216414 |
| Actual | 2004 | 7.808005 | 8.799575 | 140.240224 | 1034.656439 | 32.725014 | 0.000000 | 0.995149 |
| Forecast | 2005 | 8.032414 | 10.428300 | 139.901823 | 1076.984542 | 34.024275 | 0.000000 | 0.974316 |
| Forecast | 2006 | 9.080467 | 12.718855 | 139.901823 | 1118.986939 | 34.058299 | 0.000000 | 0.974316 |
| Forecast | 2007 | 9.080467 | 17.057981 | 139.901823 | 1162.627430 | 34.092357 | 0.000000 | 0.974316 |

| | t Fiscal | Class 8 Millions | Class 9 Millions | Class 10 Millions | Class 12 Millions | Class 13 Millions | TIF's Millions | Abatement Millions |
|---|---|---|---|---|---|---|---|---|
| Actual | 2000 | 215.748092 | 498.030237 | 8.520090 | 68.192588 | 0.000000 | 44.535577 | 7.874787 |
| Actual | 2001 | 112.782734 | 230.832978 | 8.708849 | 49.641444 | 147.142750 | 28.428840 | 7.874787 |
| Actual | 2002 | 116.605209 | 219.955767 | 8.198788 | 48.658380 | 144.488095 | 30.529563 | 3.879830 |
| Actual | 2003 | 118.348926 | 206.360123 | 7.170239 | 46.688479 | 137.184847 | 30.802832 | 3.870000 |
| Actual | 2004 | 118.296988 | 212.110930 | 6.789287 | 45.630257 | 125.622547 | 33.562140 | 3.188318 |
| Forecast | 2005 | 117.240984 | 219.992824 | 6.791382 | 45.074061 | 120.485065 | 27.766903 | 4.088317 |
| Forecast | 2006 | 121.344418 | 219.772831 | 6.675929 | 44.172580 | 118.557304 | 27.766903 | 4.194695 |
| Forecast | 2007 | 125.591473 | 219.553058 | 6.562438 | 43.289128 | 116.660387 | 23.430450 | 4.307581 |